

Study Guide of Exam 1: Financial Planning and Asset Management

Purpose of Financial Planning and the Financial Planning Process

Characteristics of the Financial Planning Goal

Most important aspect of financial planning for college students today

Differences between a real or physical asset and a financial asset

Personal Financial Planning Life Cycle

The Planning Environment – Business Cycles, Inflation, where you live, your career

The three methods for increasing net worth or wealth

Differences between a balance sheet versus income statement as a long or short term financial planning instrument

Definitions of Assets, Liabilities and Net Worth

Calculation of a solvency ratio for determining financial health

Main purpose of a budget in the financial planning process

Calculation of the compound annual rate of return on an investment

Calculation of the present value of a lump sum payment sometime in the future

Calculation of the future value of a lump sum made to day invested at some rate of return

Calculation of the present value of a series of payments

Calculation of the future value of a series of payments

Difference between a marginal tax rate and an average tax rate

Difference between a progressive vs. regressive tax rate

Differences in tax filing status ---

Differences between a tax deduction versus tax credit

What types of income are subject to federal tax

Differences between a Roth vs. Traditional IRA

Calculation of taxes on capital gains transactions using short versus long term gain criteria

The most important rule for establishing your savings plan

Knowledge of the differences in what you may have to pay for a lost ATM/Debit card versus a Credit Card based on number of days you inform your financial institution

Steps to the auto purchase decision

Calculation of the costs involved in evaluating purchase of an auto --- depreciation, maintenance, insurance, property taxes – which ones are one time which are ongoing

Ongoing costs of homeownership

Costs and obligations related to leasing a car

Calculation of the amount that might be available from a home equity loan to buy a car

What are the appropriate versus non-appropriate uses of a credit card

Qualifications for getting a Stafford or Perkins loan

Differences in financial institutions where you might get a loan or have a savings account

Calculation of a debt safety ratio for securing a loan from a bank

Differences among life insurance policies

How to use the cash value on a permanent life insurance policy and what are the characteristics of the loan

Differences in the types of coverage on an auto insurance policy

Ways to reduce the cost of the premium for auto coverage

Advantages versus disadvantages of term insurance, as opposed to permanent life insurance